

Message Text

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E.O. 11652:N/A
TAGS: EINV, ECON, MX
SUBJECT: REMITTANCES OF MEXICAN WORKERS TO MEXICO

1. SUMMARY. U.S. AGENCIES HAVE BEEN USING A VALUE OF ABOUT THREE BILLION DOLLARS YEARLY FOR REMITTANCES OF ILLEGAL MEXICAN WORKERS IN THE US. THERE ARE GROUNDS SUGGESTING THIS VALUE IS MUCH TOO HIGH. SOME RESEARCH NOW BEING CONDUCTED BY BANK OF MEXICO SUGGESTS MAXIMUM VALUE OF 800 MILLION DOLLARS. END SUMMARY.

2. WE HAVE NOTED THAT USG STUDIES HAVE BEEN USING A VALUE OF THREE BILLION DOLLARS AS A CRUDE GUESS OF THE AMOUNT REMITTED ANNUALLY BY ILLEGAL MEXICAN IMMIGRANTS TO MEXICO. (SEE PAGE 10 OF STATE DEPARTMENT S/P PAPER OF DECEMBER 1977, "U.S.-MEXICAN RELATIONS"). THIS VALUE IS APPARENTLY BASED ON AN ESTIMATE USED UNTIL RECENTLY BY PROF. WAYNE CORNELIUS OF MIT IN SEVERAL OF HIS PAPERS ON THE MEXICAN ILLEGAL IMMIGRANT PROBLEM. HE HAS SINCE REDUCED HIS ESTIMATE TO TWO BILLION DOLLARS. (SEE P.46 OF HIS PAPER AT BROOKINGS SYMPOSIUM OF JUNE 28, WASHINGTON.)

3. A VALUE OF THREE BILLION DOLLARS FOR THE REMITTANCES HAS APPEARED QUESTIONABLE ON A PRIORI GROUNDS FOR SOME
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TIME.
(A) EVEN THOUGH THE MEXICAN BALANCE OF PAYMENT STATISTICS ARE FAR FROM COMPLETE IN THEIR COVERAGE, NO INDIVIDUAL ITEM OF EITHER THE CAPITAL ACCOUNT OR OF INCOME IN THE CURRENT ACCOUNTS IS LARGE ENOUGH TO CONCEAL A VALUE OF THREE BILLION DOLLARS. IT IS GENERALLY BELIEVED THAT MOST WORKER REMITTANCES ARE IN THE RESIDUAL OF THE

BALANCE OF PAYMENTS ACCOUNTS, THE ERRORS AND OMISSIONS ITEM. THIS ENTRY ALSO INCLUDES RECEIPTS FROM OUTWARD SMUGGLING OF NARCOTICS AND OTHER GOODS AS WELL AS PAYMENTS FOR SMUGGLED IMPORTS AND UNRECORDED CAPITAL FLIGHT. SINCE THE ERRORS AND OMISSIONS ENTRY IS ALMOST ALWAYS NEGATIVE, CAPITAL FLIGHT AND SMUGGLED IMPORTS WOULD HAVE TO BE VERY LARGE INDEED IN RELATION TO A GDP OF SOME 75 BILLION DOLLARS TO COVER EARNINGS ON WORKER REMITTANCES OF THREE BILLION DOLLARS PLUS OUTWARD SMUGGLING.

(B) WE HAVE NOTED THAT THE IMF IN ITS STUDIES OF THE MEXICAN ECONOMY HAS ESTIMATED WORKER REMITTANCES FROM 160 MILLION IN 1974 TO A PROJECTED 270 MILLION FOR 1978 (IMF DOCUMENTS SM/76/200 AND EBS/77/453) AND ALSO THAT THE U.S. INTERNATIONAL TRANSACTIONS WITH MEXICO PUBLISHED IN THE JUNE SURVEY OF CURRENT BUSINESS SHOWS PRIVATE REMITTANCES AND OTHER TRANSFERS TO BE 128 MILLION DOLLARS IN 1977.

(C) A SHORT STUDY CORNELIUS HIMSELF HAS USED IN A GRANT APPLICATION BASED UPON A ONE DAY SAMPLE OF REMITTANCES RECEIVED IN MEXICO WOULD YIELD A PROJECTED TOTAL OF ABOUT 150 MILLION DOLLARS A YEAR (SEE RESEARCH GRANT NO. 1 POLHD 09272-02 TO DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, PP.76-79.)

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4. JUAN DIAZ CANEDO, A RESEARCHER AT THE BANK OF MEXICO WHO HAS WORKED WITH CORNELIUS AT MIT, IS TRYING TO DEVELOP A COMPREHENSIVE REPORTING REQUIREMENT FOR FOREIGN REMITTANCES AS WELL AS EXTEND A SURVEY HE MADE TO COVER MORE BANKS AND TIME. DIAZ HAS TOLD US THAT ON THE BASIS OF HIS RESEARCH THE CLAIM THAT MEXICAN WORKERS IN THE U.S. REMIT BILLIONS OF DOLLARS CANNOT BE SUBSTANTIATED. HIS OWN "GUESS", GIVEN HIS SO FAR LIMITED DATA, WOULD BE A "MAXIMUM" OF 800 MILLION. HE ALSO BELIEVES THE REMITTANCES APPEAR IN THE ERRORS AND OMISSIONS ENTRY.

5. WE RECOMMEND CAUTION IN USING ESTIMATES OF WORKER REMITTANCES AS LARGE AS THREE BILLION DOLLARS. LUCEY

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